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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

BSM3114– MANAGEMENT OF STRATEGY (ALL SECTIONS)

15th OCTOBER 2016
2.30 PM – 4.30 PM
(2 hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages with 2 Sections only.
2. **Section A : ONE (1) Case Study.** Attempt **ALL** questions.
Section B : Choose any THREE (3) Structure Questions out of FOUR.
3. Please write all your answers in **Answer Booklet** provided.

SECTION A: Case Study (40 marks)**More Than A Million Subscribers Exit Maxis**

Alexander Winifred

Friday, April 22, 2016

Maxis Bhd lost more than a million customers in the last 12 months, with more than 400,000 leaving in the first three months of this year, the company's quarterly report showed. Even though the company showed higher earnings for the quarter, the exodus of subscribers may be a lesson on customer relations for the telco. Many of the Maxis customers who left this year could be linked to the storm kicked up on social media over its incentive for new customers that excluded present subscribers with its mobile Internet user base dropping from nine million in the third-quarter of 2015 (3Q15) to 8.5 million.

However, its earnings increased to RM484 million compared to RM477 million in the preceding quarter due to a reduction in its operational costs, analysts said. Revenue from prepaid and postpaid services fell 2.5% and 1.7% to RM1.02 billion and RM994 million respectively. Maxis attributed the drop to "intense" price competition from prepaid and lower roaming revenue from its postpaid customers.

Analysts said Maxis had been too slow to react to market changes. Competitors like DiGi and Celcom have pushed ahead with cheaper plans and smaller players like UMobile and TuneTalk have also eaten into Maxis' market share. "Over the years, Maxis had grown complacent. It was so confident and comfortable and it thought its users would always stay with them," said a head of a prominent securities firm in Kuala Lumpur.

Analysts also say that Maxis' loss of subscribers has been a big gain for the competition. In 4Q15, DiGi Telecommunications Sdn Bhd added 450,000 subscribers while Maxis lost 377,000 customers. Maxis shares closed at RM5.95 yesterday more than a ringgit lower from its RM7.20 peak in August last year. Since April 4, Maxis share prices have dropped 7%, coincidentally after the company published a response to social media complaints about incentives for new customers that were not extended for present customers.

One user, Jackson5759 had complained online that a friend who wanted to switch from Maxis to another service was persuaded to stay with the telco with a better data offer but the same incentive was not available to him. When Maxis responded on Facebook that the new data plan offered were "exaggerated", and that they did "not exist in the way it was described".

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Thousands of Facebook users went onto the social media to express their unhappiness with the operator. Maxis CEO Morten Lundal posted a video apology three days later, saying one group of its customers would receive an automatic upgrade to extra data from May onwards, on top of a one-off free data package that week.

Analysts told *The Malaysian Reserve* that the move to offer additional free data could slow the exodus of Maxis customers but it would harm its earnings. The free data would mean Maxis subscribers who previously needed to pay for additional usage will get them for free.

"Margins will be lower as Maxis will need to write off the potential revenue from the data charges," an analyst said. RHB Bank Bhd analysts said in an April 8 update that they remained negative on the company's prospects, estimating some "78%/72% of Maxis' postpaid subscribers/revenue could be vulnerable to price-focused, data-centric competition in the market."

A new mobile service provider backed by Telekom Malaysia Bhd (TM), slated to be unveiled soon, could further chip into Maxis' market share in the enterprise market segment and a planned spectrum reallocation might give Maxis less of a favourable arrangement, the analysts said. New product launches expected by Maxis today are likely to be priced closer to its competitors but analysts are unsure whether it would be able to convince their loyal followers.

"Some of Maxis customers have been with them for ten, fifteen years. It must have taken a lot for them to leave the operator. It is worth to see if Maxis can win them back just like that," one analyst said.

Source: <http://themalaysianreserve.com/new/story/more-million-subscribers-exit-maxis>

QUESTIONS

1. What are the biggest mistakes that Maxis did which caused one million subscribers to exit the company? (20 Marks)
2. Perform any **TWO (2)** of the Porter Five Forces Analyses. (10 marks)
3. In ensuring sustainability growth for Maxis in Telecommunication industry, suggest **TWO (2)** recommendations to outperform their rivals. (10 Marks)

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SECTION B: STRUCTURED QUESTIONS (60 marks)**CHOOSE ANY THREE (3) Questions****QUESTION 1**

Organizations interact with their competitors as part of the broad context within which they operate while attempting to earn above-average returns. Learning how to select the markets in which to compete and how to best compete within organizations is highly important.

- (a) Discuss on how market commonality can help firms to have the ability in competing for market share in each segment.

(5 marks)

- (b) Explain **FIVE (5)** for each justification in differentiating between slow-cycle, standard-cycle and fast-cycle markets.

(15 marks)

(Total: 20 marks)

QUESTION 2

In corporate-level strategy, organizations may pursue specific actions in gaining competitive advantage by selecting and managing a group of different businesses competing in different product markets.

By using diversification strategy, discuss **FIVE (5)** reasons why it is beneficial for organization to pursue with the mentioned strategy.

(20 marks)

(Total: 20 marks)

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QUESTION 3

- a) An acquisition is a strategy through which one firm buys a controlling, or 100 percent, interest in another firm with the intent of making the acquired firm a subsidiary business within its portfolio. Explain horizontal acquisition and vertical acquisition. How do horizontal and vertical acquisition help a firm to increase market power.
- (10 marks)
- b) What is a strategic alliance? Differentiate an equity strategic alliances and a non-equity strategy alliance. Provide an example for each of them.

(10 marks)

(Total: 20 marks)

QUESTION 4

Explain the four possible effects on a firm's strategy based on different combination of managerial labour market for CEO succession and top management team composition in the firm. You may want to use a diagram to assist your explanation.

(Total: 20 marks)

End of paper